

2021

TENSAS BASIN LEVEE DISTRICT
Financial Statements with Supplementary Information
As of and for the Year Ended June 30, 2010
(With Independent Auditors' Report Thereon)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/10/10

TENSAS BASIN LEVEE DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2 - 5
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	12
Notes to Financial Statements	13 - 26
Supplementary Information:	
Schedule of Commissioners' Per Diem	27
Annual Financial Report Required by Division of Administration	28 - 58
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	59 - 60
Schedule of Findings and Management Corrective Action Plan	61
Status of Prior Audit Findings	62

Independent Auditors' Report

Board of Commissioners
Tensas Basin Levee District
Rayville, Louisiana

We have audited the accompanying basic financial statements of the Tensas Basin Levee District, a component unit of the State of Louisiana, as of and for the year then ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of management of the Tensas Basin Levee District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tensas Basin Levee District as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2010, on our consideration of the Tensas Basin Levee District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information on pages 2 through 5 and 12, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Tensas Basin Levee District taken as a whole. The accompanying supplemental schedules and the Division of Administration reporting package listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Griffin & Company, LLC

August 30, 2010

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Management's Discussion & Analysis

June 30, 2010

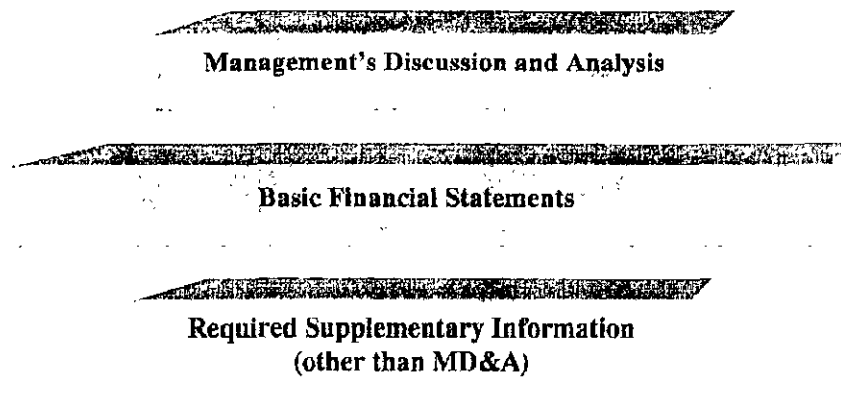
The Management's Discussion and Analysis of the Tensas Basin Levee District's (the "District") financial performance presents a narrative overview and analysis of the District's financial activities for the period from July 1, 2009 to June 30, 2010. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the District's financial statements.

Financial Highlights

- The District's assets exceeded its liabilities at the close of fiscal year 2010 by \$10,588,727. Assets consist primarily of cash, investments, and equipment. Net assets decreased by \$35,949 or 0.3% compared to the prior fiscal year.
- The District's revenues totaled \$4,334,001 for the year ended June 30, 2010. These revenues are comprised primarily of taxes, investment earnings, and reimbursements from the Southeast Arkansas Levee District for expenditures made for the district by the Tensas Basin Levee District. Revenues increased \$271,271 or 6.9% compared to the prior fiscal year.
- The District's expenditures totaled 4,369,950 for the year ended June 30, 2010. These expenditures are comprised primarily of personnel services, operating services, and supplies. Expenditures increased \$586,003 or 15.5% compared to the prior fiscal year.

Overview of the Financial Statements

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the Basic Financial Statements (including the notes to the financial statements), and Required Supplementary Information.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Management's Discussion & Analysis, Continued

June 30, 2010

Basic Financial Statements

The basic financial statements present information for the Districts as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

Financial Analysis of the Entity

**Statement of Net Assets
As of June 30, 2010**

Current and other assets	\$ 9,347,623
Capital assets, net of depreciation	<u>1,842,161</u>
Total assets	<u>11,189,784</u>
 Other current liabilities	 157,643
Long-term liabilities	<u>443,414</u>
Total liabilities	<u>601,057</u>
 Net assets:	
Invested in capital assets, net of debt	1,842,161
Unrestricted	<u>8,746,566</u>
Total net assets	<u>\$ 10,588,727</u>

Unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Net assets of the District decreased by \$35,949 or 0.3%, from June 30, 2009 to June 30, 2010.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Management's Discussion & Analysis, Continued

As of June 30, 2010

**Statement of Activities
For the Year Ended June 30, 2010
(in thousands)**

Operating revenues	\$ 684,735
Operating expenses	<u>(4,369,950)</u>
Operating loss	(3,685,215)
Non-operating revenues	<u>3,649,266</u>
Net decrease net assets	<u>\$ (35,949)</u>

The District's total revenues increased by \$271,271 or 6.9%. The total cost of all programs and services increased by \$586,003 or 15.5%.

Capital Asset and Debt Administration

Capital Assets

At the end of 2010, the District had \$1,842,171 invested in capital assets, including equipment and construction in progress on capital projects. This amount represents a net increase (including additions and deductions) of \$169,490, or 10.1%, over last year.

This year's major additions included:

- \$393,408 of heavy equipment

Debt

The District has obligations for compensated absences of \$176,672. The obligations increased from \$163,704 for an increase of \$12,968 or 7.9%.

The District has obligations for other post employment retirement benefits of \$266,742. The obligations increased from \$190,391 for an increase of \$76,351 or 40.1%.

The District had no bonds and notes outstanding at June 30, 2010.

Variations Between Actual and Budget Amounts

Revenues were \$84,394 above budget and expenditures were \$2,750,199 less than budget due in part to capital outlay expenditures for flood fight being less than expected. The original budget was amended to include an increase in interest income over the original budgeted amounts.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Management's Discussion & Analysis, Continued

June 30, 2010

Economic Factors and Next Year's Budget

The District's officials considered the following factors and indicators when setting next year's budget:

- Ad valorem taxes
- Interest income
- Projects under consideration
- Intergovernmental revenues

The management of the District does not expect any significant changes in next year's results compared to the current year.

Contacting the District's Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Stringer, Executive Director, at P.O. Box 68, Rayville, Louisiana 71269.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Statement of Net Assets

June 30, 2010

	<u>Assets</u>	
Cash & cash equivalents		\$ 1,657,168
Investments		7,444,368
Receivables		231,355
Restricted assets - cash		14,732
Capital assets (net of depreciation)		<u>1,842,161</u>
Total assets		\$ <u>11,189,784</u>
Liabilities & Net Assets		
Liabilities:		
Accounts payable & accruals		\$ 104,512
Estimated claims payable - self insurance		53,131
Compensated absences payable		176,672
Other post employment benefits payable		<u>266,742</u>
Total liabilities		601,057
Net Assets:		
Invested in capital assets, net of related debt		1,842,161
Unrestricted		<u>8,746,566</u>
Total net assets		\$ <u>10,588,727</u>

See accompanying notes to the financial statements.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Statement of Activities

For the Year Ended June 30, 2010

		<u>Program Revenues</u>			<u>Net (Expense) Revenue & Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>		
Functions/Programs						
Governmental Activities:						
Flood and drainage protection	\$ <u>4,369,950</u>	\$ <u>6,217</u>	\$ <u>678,518</u>	* \$ <u>-</u>	\$	<u>(3,685,215)</u>
General Revenues:						
Taxes						2,734,649
State revenue sharing						148,099
Investment earnings						614,320
Royalties and land use						116,389
Gain on disposal of assets						<u>35,809</u>
Total general revenues						<u>3,649,266</u>
Change in net assets						(35,949)
Net assets - beginning						<u>10,624,676</u>
Net assets - ending					\$	<u><u>10,588,727</u></u>
* Reimbursements for operating expenses from the Southeast Arkansas Levee District					\$	621,739
Contributions received						1,300
Federal Grants						<u>55,479</u>
					\$	<u><u>678,518</u></u>

See accompanying notes to the financial statements.

**STATE OF LOUISIANA
TENAS BASIN LEVEE DISTRICT**

Governmental Funds

Balance Sheet

June 30, 2010

Assets

Current Assets:

Cash & cash equivalents	\$ 1,657,168
Investments	7,444,368
Receivables	231,355
Restricted assets - cash	<u>14,732</u>

Total net assets	\$ <u><u>9,347,623</u></u>
------------------	----------------------------

Liabilities & Fund Balance

Current Liabilities:

Accounts payable & accrued expenses	\$ 104,512
Estimated claims payable - self insurance	<u>53,131</u>

Total current liabilities	157,643
---------------------------	---------

Fund Balance:

Unreserved, reported in:	
General fund	<u>9,189,980</u>

Total liabilities & fund balance	\$ <u><u>9,347,623</u></u>
----------------------------------	----------------------------

See accompanying notes to the financial statements.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets**

June 30, 2010

Total Governmental Fund Balances	\$ 9,189,980
-----------------------------------------	---------------------

Total Net Assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	116,650
------	---------

Building and building improvements, net of accumulated depreciation of \$ 474,766	487,276
-----------------------------------------------------------------------------------	---------

Automobiles and equipment, net of accumulated depreciation of \$2,810,988	1,238,235
---------------------------------------------------------------------------	-----------

Total capital assets	<u>1,842,161</u>
-----------------------------	-------------------------

Long-term liabilities, including compensated absences payable and OPEB payable, are not due and payable in the current period and therefore are not reported in the fund liabilities:

Compensated absences payable	(176,672)
------------------------------	-----------

Other post employment benefits payable	<u>(266,742)</u>
----------------------------------------	------------------

	<u>(443,414)</u>
--	------------------

Total Net Assets of Governmental Activities	\$ <u><u>10,588,727</u></u>
----------------------------------------------------	------------------------------------

See accompanying notes to the financial statements.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2010

Revenues:	
Taxes	\$ 2,734,649
Intergovernmental	
State revenue sharing	148,099
Reimbursements - SE Arkansas Levee District	621,739
Administrative Fees - SE Arkansas Levee District	6,217
Royalties and land use	116,389
Investment earnings	614,320
Proceeds from sale of assets	47,389
Miscellaneous	56,779
	<hr/>
Total revenues	4,345,581
	<hr/>
Expenses:	
Administrative	
Personal services	2,423,773
Travel	27,200
Operating services	648,321
Supplies	335,265
Professional services	20,221
Capital Outlay	
Equipment and vehicles	474,759
Building and improvements	-
Flood fight	532,162
	<hr/>
Total expenses	4,461,701
	<hr/>
Net change in fund balance	(116,120)
Fund balance, beginning of year	9,306,100
	<hr/>
Fund balance, end of year	\$ 9,189,980
	<hr/>

See accompanying notes to the financial statements.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and
Fund Balance - Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2010

Net Change in Fund Balances - total governmental funds **\$ (116,120)**

**The change in net assets reported for governmental activities in the
statement of activities is different because:**

**Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of those assets is
allocated over their estimated useful lives and reported as
depreciation expense:**

Capital asset additions	474,759
Depreciation expense	<u>(293,689)</u>
	<u>181,070</u>

**In the Statement of Activities only the gain on the sale of
assets is reported, whereas in the governmental funds, the
proceeds from the sale increase financial resources. Thus,
the change in net assets differs from the change in fund
balance by the portion of the assets sold that have not been
depreciated.**

(11,580)

**In the Statement of Activities compensated absences and other post
employee benefits are accrued, whereas in the governmental
funds, these expenditures are reported when due**

(89,319)

Change in Net Assets of Governmental Activities **\$ (35,949)**

See accompanying notes to the financial statements.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Budgetary Basis) - General Fund**

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 2,530,750	\$ 2,634,000	\$ 2,734,649	\$ 100,649
Intergovernmental	876,100	890,700	776,055	(114,645)
Royalties and land use	85,000	109,000	116,389	7,389
Interest Income	425,000	425,000	377,342	(47,658)
Miscellaneous	49,841	35,000	104,168	69,168
Total revenues	<u>3,966,691</u>	<u>4,093,700</u>	<u>4,108,603</u>	<u>14,903</u>
Expenditures:				
General government				
Personal services	2,417,000	2,417,000	2,423,773	(6,773)
Travel	34,700	34,700	27,200	7,500
Operating services	552,400	552,400	648,321	(95,921)
Supplies	482,500	482,500	335,265	147,235
Professional services	33,000	33,000	20,221	12,779
Capital Outlay	3,692,300	3,692,300	474,759	3,217,541
Flood fight	-	-	532,162	(532,162)
Total expenditures	<u>7,211,900</u>	<u>7,211,900</u>	<u>4,461,701</u>	<u>2,750,199</u>
Excess (deficiency) of revenues over expenditures	(3,245,209)	(3,118,200)	(353,098)	2,765,102
Fund balance, beginning	<u>9,083,500</u>	<u>9,306,100</u>	<u>9,306,100</u>	<u>-</u>
Fund balance, ending	\$ <u>5,838,291</u>	\$ <u>6,187,900</u>	\$ <u>8,953,002</u>	\$ <u>2,765,102</u>

Note to Budgetary Comparison Schedule

The Tensas Basin Levee District prepares and adopts a budget prior to July 1 of each year for its general fund in accordance with Louisiana Revised Statutes. The operating budget is prepared using the full accrual basis of accounting with the exception that investments are reported on the cost basis and no adjustment is made to present them at fair market value. Accordingly, investment income reflects interest earnings with no adjustments for the increase or decrease in the market value of the investments during the period. The following reconciles the deficiency of revenues over expenditures for the General Fund as shown in Statement E to the Budgetary Basis.

Excess of revenues over expenditures (Budgetary Basis)	\$ (353,098)
Adjustment of investment carrying value to fair market basis	<u>236,978</u>
Excess of revenues over expenditures (GAAP Basis)	<u>\$ (116,120)</u>

See independent auditors' report.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

(a) Introduction

The Tensas Basin Levee District and its Board of Commissioners was created by Act 26, Section I of the 1884 General Assembly (Legislature) of the State of Louisiana and later redefined by Act 59, Section I of the 1886 General Assembly for the purpose of constructing, maintaining, and protecting the levee systems within its designated jurisdiction. The Levee District includes all or a portion of the following parishes: Catahoula, Caldwell, Franklin, Morehouse, Richland, Ouachita, LaSalle and West Carroll. The Levee District primarily provides flood protection for those areas contained in the District. The Board of Commissioners administers the operations and responsibilities of the Levee District in accordance with the provisions of Louisiana statute. The eleven members of the Board of Commissioners, which governs the District, are appointed by the governor of the State of Louisiana.

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net asset) report information on all of the non-fiduciary activities of the District. For the most part, interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

(c) Measurement Focus, Basis of Accounting, and Financial Basis Presentation

The government-wide financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available only if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, royalties, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(1) Summary of Significant Accounting Policies, Continued

(c) Measurement Focus, Basis of Accounting, and Financial Basis Presentation, Continued

current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Funds are used by the District to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The District has a General Fund only which is classified as a governmental fund type. The District has no proprietary or other fund types.

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the District.

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and its component units. Component units are defined as legally separate organizations for which the elected officials of a primary government are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In addition, it has been determined that the District is a component unit of the State of Louisiana for financial reporting purposes. Annually, the State of Louisiana (the primary government) issues general-purpose financial statements, which include the activity contained in the accompanying financial statements.

(d) Assets, Liabilities, and Net Assets

Deposits with Financial Institutions

For reporting purposes, cash and cash equivalents includes amounts in savings, demand deposits, time deposits, and certificates of deposit. Under state law, the District may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the District may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Liabilities, and Net Assets, Continued

Deposits with Financial Institutions, Continued

and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including negotiable CDs and restricted cash and cash equivalents) and deposits (including negotiable CDs and restricted cash and cash equivalents) with a maturity of three months or less when purchased are considered to be cash equivalents.

Investments

The District maintains investment accounts as authorized by the Louisiana Revised Statutes. Under state law, the District may invest in obligations of the U.S. Treasury and U.S. Governmental Agency securities and instrumentalities of Government sponsored corporations, or certificates of deposit. Investments are carried at fair market value as of the balance sheet date. Earnings from investments are reported net of the unrealized gain or loss resulting from the adjustment of the carrying value of the investments to fair market value.

Receivables and Bad Debts

All receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available that would indicate the uncollectibility of the particular receivable. At June 30, 2010, there were no receivables deemed uncollectible.

Capital Assets

Capital assets, which include property, plant, and equipment, are included on the Statement of Net Assets and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Accumulated depreciation is reported on the Statement of Net Assets. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Liabilities, and Net Assets, Continued

Capital Assets, Continued

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated for financial reporting purposes using the straight-line method over the following useful lives of the asset:

<u>Description</u>	<u>Years</u>
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	3-7
Equipment	7-10

Inventories

Inventories of the District are recorded at cost and recognized as expenditures when purchased.

Compensated Absences

The District has the following policy on annual and sick leave:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken. The government-wide financial statements present the cost of accumulated sick leave as a liability. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay this amount when employees separate from service.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(1) Summary of Significant Accounting Policies, Continued

(d) Assets, Liabilities, and Net Assets, Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designated fund balances represent tentative plans for future use of financial resources that are subject to change.

(2) Stewardship, Compliance, and Accountability

Formal budgetary accounting is employed as a management control. The District prepares and adopts a budget prior to July 1 of each year for its general fund in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the full accrual basis of accounting, with the exception that the gain or loss resulting from adjusting the carrying value of investments to fair market value is not included in the budget as a revenue or expense. The District amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by five percent or more. All budget appropriations lapse at year-end.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget
3. The budgetary information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

	<u>Appropriations</u>
Original approved budget	\$ 7,211,900
Amendments	<u>-</u>
Final approved budget	<u>\$ 7,211,900</u>

(3) Deposits With Financial Institutions and Investments

(a) Deposits With Financial Institutions

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance at all times equals the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(3) Deposits With Financial Institutions and Investments, Continued

(a) Deposits With Financial Institutions, Continued

The deposits at June 30, 2010 consist of the following:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Book balance of bank accounts	\$ <u>1,657,168</u>	<u>-</u>	<u>1,657,168</u>
Deposits in bank accounts per bank	\$ <u>1,751,528</u>	<u>-</u>	<u>1,751,528</u>

The District's deposits were not exposed to custodial credit risk. The following is a breakdown by banking institution and amount of the "Deposits in bank accounts per bank" balances shown above:

<u>Banking Institution</u>	<u>Amount</u>
JP Morgan Chase	\$ 15,223
Caldwell Bank & Trust	<u>1,736,305</u>
Total	\$ <u>1,751,528</u>

(b) Investments

The District maintains investment accounts as authorized by the Louisiana Revised Statutes. Under state law, the District may invest in obligations of the U.S. Treasury and U.S. Governmental Agency securities and instrumentalities of Government sponsored corporations, or certificates of deposit. Investments are carried at fair market value as of the balance sheet date. At June 30, 2010, investments of the District total \$7,444,368, which is reflected on the Statement of Net Assets as investments.

<u>Type of Investment</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Money Market Accounts	\$ 2,032	2,032
U.S. Agency Obligation	2,482,103	2,482,103
Instruments of governmental sponsored corporations	<u>4,960,233</u>	<u>4,960,233</u>
Total investments	\$ <u>7,444,368</u>	<u>7,444,368</u>

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(3) Deposits With Financial Institutions and Investments, Continued

(b) Investments, Continued

Interest rate risk is the risk applicable to debt instruments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates of debt instruments. The following table shows the District's investments and maturities in actively managed accounts at June 30, 2010:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	Greater Than 10
FHLMC	\$ 1,861,845	14,896	1,819,896	27,053	-
GNMA	2,482,103	245,989	2,236,114	-	-
FNMA	3,098,388	18,757	3,079,631	-	-
Money Market Account	2,032	2,032	-	-	-
Total debt investments	\$ 7,444,368	281,674	7,135,641	27,053	-

Debt securities issued by a federal government-sponsored enterprise (GSE) and held by a state or local government as an investment are subject to credit risk and are not given credit quality ratings by the rating agencies. GSEs are independent organizations sponsored by the federal government. The Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA) are government-sponsored enterprises. The liabilities of these government-sponsored enterprises are not backed by the full faith and credit of the federal government. The Government National Mortgage Association is an agency of the United States Government and its obligations are backed by the full faith and credit of the federal government.

Investments of governmental securities reflected in the governmental funds are stated at fair value as required by GASB Statement No. 31. The District used quoted market values to determine the fair value of the investments.

(4) Restricted Assets

Restricted assets of the District at June 30, 2010 consist of \$14,732 in bank deposits which are held in escrow to pay current and future health insurance claims of employees.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(5) Receivables

Receivables at June 30, 2010 were as follows:

<u>Fund</u>	<u>Taxes</u>	<u>From Other Governments</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 26,635	172,060	32,660	-	231,355
Less allowance for uncollectible accounts	-	-	-	-	-
Receivables, net	<u>\$ 26,635</u>	<u>172,060</u>	<u>32,660</u>	<u>-</u>	<u>231,355</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(6) Capital Assets

A summary of the District's capital assets at June 30, 2010 follows:

The following is a summary of changes in the general fixed assets account group during the period from July 1, 2009 to June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 116,649	-	-	116,649
Capital Assets, Being Depreciated:				
Automobiles & equipment	3,904,841	474,759	(330,376)	4,049,224
Less accum. depreciation	<u>(2,860,146)</u>	<u>(269,638)</u>	<u>318,796</u>	<u>(2,810,988)</u>
Total automobiles & equipment	<u>1,044,695</u>	<u>205,121</u>	<u>(11,580)</u>	<u>1,238,235</u>
Buildings & improvements	962,042	-	-	962,042
Less accum. depreciation	<u>(450,715)</u>	<u>(24,051)</u>	<u>-</u>	<u>(474,766)</u>
Total buildings & improvements, net	<u>511,327</u>	<u>(24,051)</u>	<u>-</u>	<u>487,276</u>
Capital Assets Being Depreciated, Net	<u>1,556,022</u>	<u>181,070</u>	<u>(11,580)</u>	<u>1,556,022</u>
Total Governmental Activities				
Capital Assets, Net	<u>\$ 1,672,671</u>	<u>181,070</u>	<u>(11,580)</u>	<u>1,842,161</u>

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(7) Accounts Payable and Accruals

Payables at June 30, 2010 were as follows:

	<u>Vendors</u>	<u>Salaries & Benefits</u>	<u>Other Payables</u>	<u>Total Payables</u>
General Fund	\$ <u>5,051</u>	<u>88,554</u>	<u>10,907</u>	<u>104,512</u>

(8) Compensated Absences

At June 30, 2010, employees of the District had accumulated \$176,672 in annual leave benefits, which were computed in accordance with GASB Codification Section C 60. The following is a summary of the changes in accumulated leave benefits for the year ended June 30, 2010:

Compensated absences payable, beginning of year	\$ 163,704
Additions	55,292
Reductions	<u>(42,325)</u>
Compensated absences payable, end of year	\$ <u>176,672</u>

(9) Intergovernmental Revenues

The District has an agreement with the Southeast Arkansas Levee District whereby certain levee maintenance expenses are incurred by the Tensas Basin Levee District for the Southeast Arkansas Levee District. The Southeast Arkansas Levee District reimburses the Tensas Basin Levee District for 100% of the expenses incurred on its behalf. In addition, the Southeast Arkansas Levee District pays an administration fee of 1% of the total expense reimbursement to the Tensas Basin Levee District. The expenses are reimbursed on a quarterly basis and amount to \$621,739 for the year ended June 30, 2010. The administrative fee was \$6,217 for 2010.

(10) Retirement System

Substantially all of the employees of the District are members of the Louisiana State Employees Retirement System (LASERS), a single employer defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(10) Retirement System, Continued

All full-time District employees are eligible to participate in the System unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their option, become members of LASERS. Normal benefits vest with 10 years of service. Generally, retirement age employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service except for members eligible to begin participation in the Defined Benefit Plan (DBP) on or after July 1, 2006. Act 75 of the 2005 Regular Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for these members is limited to age 60, or thereafter, upon attainment of ten years of creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Vested employees eligible to begin participation in the DBP before July 1, 2006 are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after July 1, 2006, have only a single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit options, with qualifications and amounts defined by statute. Benefits are established or amended by state statute. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. For a full description of the LASERS defined benefit plan, please refer to the LASERS 2009 Financial Statements. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute with the single largest group ("regular members") contributing 7.5% of gross salary, and the Tensas Basin Levee District is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate was 18.6%, 18.5%, and 20.4% of annual covered payroll in fiscal years ended June 30, 2010, 2009, and 2008, respectively. The District's contributions to the System for the years ending June 30, 2010, 2009, and 2008 were \$228,595, \$213,274, and \$195,338, respectively, equal to the required contributions for each year.

(11) Deferred Compensation Plan

Certain employees of the District participate in the Louisiana Public Employees Deferred compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397. The District's contributions to the Plan for the years ending June 30, 2010, 2009, and 2008, were \$37,526, \$36,465, and \$32,733, respectively, equal to the required contributions for each year.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(12) Health Care Plan – Self Insured

On February 1, 1990, the District instituted a self-insurance plan for the purpose of providing health insurance coverage for its employees and retirees. The plan is funded through premiums paid into an escrow account. The District is responsible for a deductible amount of \$35,000 per covered employee or retiree per year to be paid out of the escrow funds. Any claims in excess of the \$35,000 deductible are reinsured by an excess insurance policy purchased by the District. This policy pays up to \$1,000,000 per insured and has an annual plan limit of \$2,000,000. As of June 30, 2010, the District had a total of 40 employees and commissioners participating in the plan. An escrow balance of \$14,732 was available at June 30, 2010, to fund current and future claims.

(13) Post Retirement Health Care and Life Insurance Benefits

Plan Description. The District provides certain continuing health care and life insurance benefits for its retired employees. The benefits are administered by the District for the District as a single-employer plan. The District provides medical insurance benefits to eligible retirees and their spouses and life insurance benefits to eligible retirees. Substantially all District employees become eligible for post employment health care and life insurance benefits if they reach normal retirement age while working for the District. Once the retirees reach age sixty-five, Medicaid supplement insurance replaces the health insurance benefit. The life insurance benefit provides \$50,000 of life insurance for the retiree. These benefits for retirees are provided through a combination of a self-insured fund and insurance companies, whose premiums are paid jointly by the retirees and the District. The District pays 75% of the cost of the benefits and the retiree is responsible for 25%. The benefits were established by a resolution of the Board of Commissioners of the District on May 21, 2001. The benefits are not provided under a formal plan and there are no assets related to the benefits provided.

Funding Policy. The obligation of the District to fund 75% of the cost of providing health and life insurance benefits to its retirees was established by a resolution of the Board of Commissioners of the District and its continuing obligation to provide the benefits is subject to the Board's amendment and continuing approval.

The retiree health and life insurance benefits provided by the District are financed on a pay-as-you-go basis. For the year ended June 30, 2010, the District contributed \$31,977 for its share of the current premiums of the retirees. As disclosed earlier, the retiree is required to pay 25% of the cost of the benefits.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(13) Post Retirement Health Care and Life Insurance Benefits, Continued

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined under the Alternative Measurement Method in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfounded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's net OPEB obligation:

		<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/08</u>
Annual required contribution	\$	140,900	136,796	-
Interest on Net OPEB Obligation		10,947	6,062	132,812
Adjustment to Annual Required Contribution		<u>(9,304)</u>	<u>(5,152)</u>	<u>-</u>
Annual OPEB cost (expense)		142,543	137,706	132,812
Contributions made (retiree cost)		<u>(66,192)</u>	<u>(52,735)</u>	<u>(27,392)</u>
Increase in net OPEB obligation		76,351	80,971	105,420
Net OPEB obligation – beginning of year		<u>190,391</u>	<u>105,420</u>	<u>-</u>
Net OPEB obligation – end of year	\$	<u>266,742</u>	<u>53,819</u>	<u>105,420</u>
Percentage of annual OPEB cost contributed		46.4%	38.6%	20.6%

Funded Status and Funding Progress. As of June 30, 2010, there has been no funding of the actuarial accrued liability for benefits resulting in an unfunded actuarial accrued liability (UAAL) of \$1,547,081. The covered payroll (annual payroll of active employees covered by the plan) was \$1,551,445 and the ratio of the UAAL to the covered payroll was 99.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented below as required supplementary information is intended to provide multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because the plan has less than 200 participants, a valuation is required triennially with the first such valuation being completed as of June 30, 2008. Accordingly, the schedule below presents only the information for the fiscal year ended June 30, 2008 with no comparison to prior years:

Required Supplementary Information - Schedule of Funding Progress

Actuarial valuation date		6/30/2008
Actuarial value of assets	a	-
Actuarial value of assets (AAL) – Entry Age	b	1,547,081
Unfunded AAL (UAAL)	b-a	1,547,081
Funded ratio	a/b	-
Covered payroll	c	1,551,445
UAAL as a percentage of covered payroll	b-a / c	99.7%

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(13) Post Retirement Health Care and Life Insurance Benefits, Continued

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the June 30, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 5.75 percent investment rate of return which is the expected long-term investment return on the employer's own investments in the general fund since the plan has no assets. The annual healthcare cost trend numbers used in the analysis were derived from a report produced by the Department of Health and Human Services, Office of the Actuary and range from 9% initially, reduced by decrements of 1% each year to 5% in years 5 through 30. The UAAL is being amortized as a level percentage of projected payroll costs on an open basis. The remaining amortization period at June 30, 2010, is twenty-eight years.

(14) Leases

The Tensas Basin Levee District was not obligated under any capital or operating lease commitments at June 30, 2010.

(15) Long-Term Liabilities

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Compensated absences	163,704	55,292	(42,324)	176,672	-
OPEB payable	<u>190,391</u>	<u>76,361</u>	<u>-</u>	<u>266,742</u>	<u>-</u>
Total long-term liabilities	<u>\$ 354,095</u>	<u>131,643</u>	<u>(42,324)</u>	<u>443,414</u>	<u>-</u>

(16) Levee District Taxes

Article 6, Section 30 of the 1974 Louisiana Constitutions provides that the District may levy an annual tax not to exceed 5.0 mills to construct and maintain levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto. For the 2010 taxes levied on the assessed value of property within the District, the adjusted mileage rate was set at 3.00 mills.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Notes to Financial Statements, Continued

June 30, 2010

(17) Risk Management

The Tensas Basin Levee District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage to protect against each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

(18) Contingent Liabilities

The District is a defendant in a lawsuit for alleged damages to the plaintiff's property from a project undertaken by the City of West Monroe, Louisiana. The District's involvement in this was solely a monetary contribution to the project and it did not supervise or direct any portion of the project. Management believes there is no potential liability associated with this lawsuit.

(19) Related Party Transactions

The Tensas Basin Levee District had no related party transactions in the year ended June 30, 2010.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Schedule of Commissioners' Per Diem

For the Year Ended June 30, 2010

<u>Name</u>	<u>Amount</u>
Harris Brown, President	\$ 12,000
Ramona N. Haire	825
Robert N. Harwell	825
James Hutchins	675
Hamilton Keahey	600
Venoy Kinnaird	450
James P. Mayo	675
Harlon Nobles	525
Jerry R. Peters	825
Charles Venable	<u>900</u>
	\$ <u><u>18,300</u></u>

TENSAS BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2010

CONTENTS

TRANSMITTAL LETTER
AFFIDAVIT

	<u>Statements</u>
MD&A	
Balance Sheet	A
Statement of Revenues, Expenses, and Changes in Fund Net Assets	B
Statement of Activities (Additional information in Appendix B)	C
Statement of Cash Flows	D
Notes to the Financial Statements	
A. Summary of Significant Accounting Policies	
B. Budgetary Accounting	
C. Deposits with Financial Institutions and Investments (See Appendix C)	
D. Capital Assets – Including Capital Lease Assets	
E. Inventories	
F. Restricted Assets	
G. Leave	
H. Retirement System	
I. Other Postemployment Benefits (Additional information in Appendix D)	
J. Leases	
K. Long-Term Liabilities	
L. Contingent Liabilities	
M. Related Party Transactions	
N. Accounting Changes	
O. In-Kind Contributions	
P. Defeased Issues	
Q. Revenues or Receivables – Pledged or Sold (GASB 48) (See Appendix E)	
R. Government-Mandated Nonexchange Transactions (Grants)	
S. Violations of Finance-Related Legal or Contractual Provisions	
T. Short-Term Debt	
U. Disaggregation of Receivable Balances	
V. Disaggregation of Payable Balances	
W. Subsequent Events	
X. Segment Information	
Y. Due to/Due from and Transfers	
Z. Liabilities Payable from Restricted Assets	
AA. Prior-Year Restatement of Net Assets	
BB. Net Assets Restricted by Enabling Legislation (See Appendix F)	
CC. Impairment of Capital Assets (See Appendix G)	

- DD. Employee Termination Benefits
- EE. Pollution Remediation Obligations
- FF. American Recovery and Reinvestment Act (ARRA)

Schedules

- 1 Schedule of Per Diem Paid to Board Members
- 15 Schedule of Comparison Figures and Instructions

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ended June 30, 2010

Tensas Basin Levee District
P.O. Box 68
Rayville, LA 71269

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

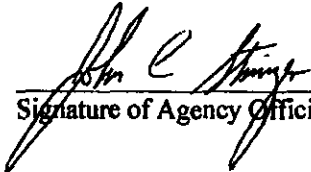
Legislative_Auditor-Fileroom.LLA@lla.state.la.us

Physical Address:
1201 N. Third Street
Claiborne Building, 6th Floor, Suite 6-130
Baton Rouge, Louisiana 70802

Physical Address:
1600 N. Third Street
Baton Rouge, Louisiana 70802

AFFIDAVIT

Personally came and appeared before the undersigned authority, John C. Stringer, Executive Director, of the Tensas Basin Levee District who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Tensas Basin Levee District at June 30, 2010 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and subscribed before me, this 26th day of August, 2010.


Signature of Agency Official

Prepared by: Robert J. Furman, CPA

Title: Partner, Griffin & Company, LLC

Telephone No.: 985-727-9924

Date: August 26, 2010

Email Address: rfurman@griffinandco.com


NOTARY PUBLIC

Notary Public

44868

Richland Parish

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT

Management's Discussion & Analysis

June 30, 2010

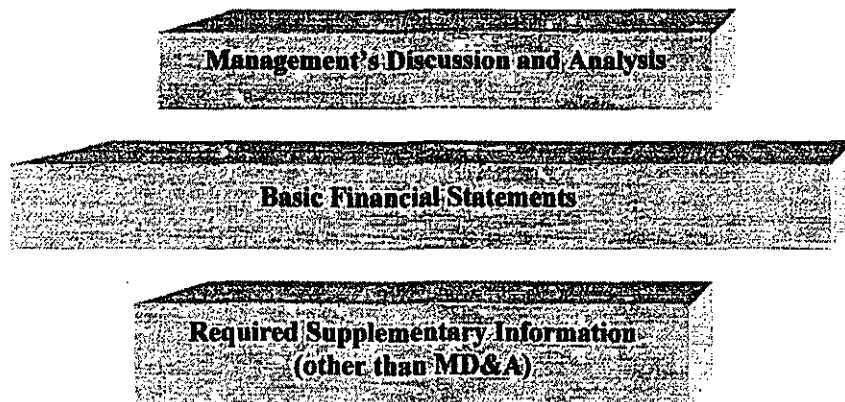
The Management's Discussion and Analysis of the Tensas Basin Levee District's (the "District") financial performance presents a narrative overview and analysis of the District's financial activities for the period from July 1, 2009 to June 30, 2010. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the District's financial statements.

Financial Highlights

- The District's assets exceeded its liabilities at the close of fiscal year 2010 by \$10,588,727. Assets consist primarily of cash, investments, and equipment. Net assets decreased by \$35,949 or 0.3% compared to the prior fiscal year.
- The District's revenues totaled \$4,334,001 for the year ended June 30, 2010. These revenues are comprised primarily of taxes, investment earnings, and reimbursements from the Southeast Arkansas Levee District for expenditures made for the district by the Tensas Basin Levee District. Revenues increased \$271,271 or 6.9% compared to the prior fiscal year.
- The District's expenditures totaled 4,369,950 for the year ended June 30, 2010. These expenditures are comprised primarily of personnel services, operating services, and supplies. Expenditures increased \$586,003 or 15.5% compared to the prior fiscal year.

Overview of the Financial Statements

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT

Management's Discussion & Analysis, Continued

June 30, 2010

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the Basic Financial Statements (including the notes to the financial statements), and Required Supplementary Information.

Basic Financial Statements

The basic financial statements present information for the Districts as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

Financial Analysis of the Entity

Statement of Net Assets
As of June 30, 2010

Current and other assets	\$ 9,347,623
Capital assets, net of depreciation	<u>1,842,161</u>
Total assets	<u>11,189,784</u>
Other current liabilities	157,643
Long-term liabilities	<u>443,414</u>
Total liabilities	<u>601,057</u>
Net assets:	
Invested in capital assets, net of debt	1,842,161
Unrestricted	<u>8,746,566</u>
Total net assets	<u>\$ 10,588,727</u>

Unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Net assets of the District decreased by \$35,949 or 0.3%, from June 30, 2009 to June 30, 2010.

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT

Management's Discussion & Analysis, Continued

As of June 30, 2010

Statement of Activities
For the Year Ended June 30, 2010
(in thousands)

Operating revenues	\$ 684,735
Operating expenses	<u>(4,369,950)</u>
Operating loss	(3,685,215)
Non-operating revenues	<u>3,649,266</u>
Net decrease net assets	<u>\$ (35,949)</u>

The District's total revenues increased by \$271,271 or 6.9%. The total cost of all programs and services increased by \$586,003 or 15.5%.

Capital Asset and Debt Administration

Capital Assets

At the end of 2010, the District had \$1,842,171 invested in capital assets, including equipment and construction in progress on capital projects. This amount represents a net increase (including additions and deductions) of \$169,490, or 10.1%, over last year.

This year's major additions included:

- \$393,408 of heavy equipment

Debt

The District has obligations for compensated absences of \$176,672. The obligations increased from \$163,704 for an increase of \$12,968 or 7.9%.

The District has obligations for other post employment retirement benefits of \$266,742. The obligations increased from \$190,391 for an increase of \$76,351 or 40.1%.

The District had no bonds and notes outstanding at June 30, 2010.

Variations Between Actual and Budget Amounts

Revenues were \$84,394 above budget and expenditures were \$2,750,199 less than budget due in part to capital outlay expenditures for flood fight being less than expected. The original budget was amended to include an increase in interest income over the original budgeted amounts.

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT

Management's Discussion & Analysis, Continued

June 30, 2010

Economic Factors and Next Year's Budget

The District's officials considered the following factors and indicators when setting next year's budget:

- Ad valorem taxes
- Interest income
- Projects under consideration
- Intergovernmental revenues

The management of the District does not expect any significant changes in next year's results compared to the current year.

Contacting the District's Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Stringer, Executive Director, at P.O. Box 68, Rayville, Louisiana 71269.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
BALANCE SHEET
AS OF JUNE 30, 2010**

Statement A

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,657,168
Restricted Cash and Cash Equivalents	14,732
Investments	7,477,028
Derivative instrument	-
Deferred outflow of resources	-
Receivables (net of allowance for doubtful accounts)(Note U)	198,695
Due from other funds (Note Y)	-
Due from federal government	-
Inventories	-
Prepayments	-
Notes receivable	-
Other current assets	-
Total current assets	9,347,623

NONCURRENT ASSETS:

Restricted assets (Note F):	
Cash	-
Investments	-
Receivables	-
Investments	-
Notes receivable	-
Capital assets, net of depreciation (Note D)	
Land and non-depreciable easements	116,650
Buildings and improvements	487,276
Machinery and equipment	1,238,235
Infrastructure	-
Intangible assets	-
Construction/Development-in-progress	-
Other noncurrent assets	-
Total noncurrent assets	1,842,161
Total assets	\$ 11,189,784

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$ 104,512
Derivative instrument	-
Deferred inflow of resources	-
Due to other funds (Note Y)	-
Due to federal government	-
Deferred revenues	-
Amounts held in custody for others	-
Other current liabilities	53,131
Current portion of long-term liabilities: (Note K)	-
Contracts payable	-
Compensated absences payable	-
Capital lease obligations	-
Claims and litigation payable	-
Notes payable	-
Pollution remediation obligation	-
Bonds payable (include unamortized costs)	-
Other long-term liabilities	-
Total current liabilities	157,643

NONCURRENT LIABILITIES: (Note K)

Contracts payable	-
Compensated absences payable	176,672
Capital lease obligations	-
Claims and litigation payable	-
Notes payable	-
Pollution remediation obligation	-
Bonds payable (include unamortized costs)	-
OPEB payable	266,742
Other long-term liabilities	-
Total noncurrent liabilities	443,414
Total liabilities	601,057

NET ASSETS

Invested in capital assets, net of related debt	1,842,161
Restricted for:	
Capital projects	-
Debt service	-
Unemployment compensation	-
Other specific purposes	-
Unrestricted	8,746,566
Total net assets	10,588,727

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Statement B

OPERATING REVENUE	
Sales of commodities and services	\$ 6,217
Assessments	
Use of money and property	
Licenses, permits, and fees	
Other	678,518
Total operating revenues	684,735
OPERATING EXPENSES	
Cost of sales and services	4,076,261
Administrative	
Depreciation	293,689
Amortization	
Total operating expenses	4,369,950
Operating income(loss)	(3,685,215)
NON-OPERATING REVENUES(EXPENSES)	
State appropriations	
Intergovernmental revenues(expenses)	148,099
Taxes	2,734,649
Use of money and property	
Gain on disposal of fixed assets	35,809
Loss on disposal of fixed assets	
Federal grants	
Interest expense	614,320
Other revenue	116,389
Other expense	
Total non-operating revenues(expenses)	3,649,266
Income(loss) before contributions, extraordinary items, & transfers	(35,949)
Capital contributions	
Extraordinary item - Loss on impairment of capital assets	
Transfers in	
Transfers out	
Change in net assets	(35,949)
Total net assets - beginning	10,624,676
Total net assets - ending	\$ 10,588,727

The accompanying notes are an integral part of this financial statement.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Statement C

See Appendix B for instructions

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
Entity	\$ 4,369,950	\$ 6,217	\$ 678,518	\$	\$ (3,685,215)
General revenues:					
Taxes					2,734,649
State revenue sharing					148,099
Investment earnings					614,320
Royalties					116,389
Gain on disposal of assets					35,809
Special items					
Extraordinary item - Loss on impairment of capital assets					
Transfers					
Total general revenues, special items, and transfers					3,649,266
Change in net assets					(35,949)
Net assets - beginning as restated					10,624,676
Net assets - ending					\$ 10,588,727

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

**Statement D
(continued)**

Cash flows from operating activities

Cash received from customers	\$ 618,484	
Cash payments to suppliers for goods and services	(1,562,952)	
Cash payments to employees for services	(2,420,767)	
Payments in lieu of taxes		
Internal activity-payments to other funds		
Claims paid to outsiders		
Other operating revenues(expenses)	56,779	
Net cash provided(used) by operating activities		(3,308,456)

Cash flows from non-capital financing activities

State revenue sharing	148,099	
Ad valorem taxes	2,721,579	
Royalties and use of land	116,536	
Federal disbursements		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Operating grants received		
Transfers in		
Transfers out		
Other		
Net cash provided(used) by non-capital financing activities		2,986,214

Cash flows from capital and related financing activities

Proceeds from sale of bonds		
Principal paid on bonds		
Interest paid on bond maturities		
Proceeds from issuance of notes payable		
Principal paid on notes payable		
Interest paid on notes payable		
Acquisition/construction of capital assets	(474,759)	
Proceeds from sale of capital assets	47,389	
Capital contributions		
Other		
Net cash provided(used) by capital and related financing activities		(427,370)

Cash flows from investing activities

Purchases of investment securities	(2,077,760)	
Proceeds from sale of investment securities	2,622,882	
Interest and dividends earned on investment securities	380,830	
Net cash provided(used) by investing activities		925,952

Net increase(decrease) in cash and cash equivalents		176,340
Cash and cash equivalents at beginning of year		1,495,560
Cash and cash equivalents at end of year	\$	1,671,900

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

**Statement D
(concluded)**

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

Operating income(loss)		\$ (3,685,215)
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:		
Depreciation/amortization	293,689	
Provision for uncollectible accounts		
Other		
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable, net	(9,472)	
(Increase)decrease in due from other funds		
(Increase)decrease in prepayments		
(Increase)decrease in inventories		
(Increase)decrease in other assets		
Increase(decrease) in accounts payable and accruals	11,411	
Increase(decrease) in compensated absences payable	12,968	
Increase(decrease) in due to other funds		
Increase(decrease) in deferred revenues		
Increase(decrease) in OPEB payable	76,351	
Increase(decrease) in other liabilities	(8,188)	
Net cash provided(used) by operating activities		\$ (3,308,456)

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease(s)	\$	
Contributions of fixed assets		
Purchases of equipment on account		
Asset trade-ins		
Other (specify)		
Total noncash investing, capital, and financing activities:	\$	

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010

INTRODUCTION

The Tensas Basin Levee District and its Board of Commissioners was created by Act 26, Section I of the 1884 General Assembly (Legislature) of the State of Louisiana and later redefined by Act 59, Section I of the 1886 General Assembly for the purpose of constructing, maintaining, and protecting the levee systems within its designated jurisdiction. The Levee District includes all or a portion of the following parishes: Catahoula, Caldwell, Franklin, Morehouse, Richland, Ouachita, LaSalle and West Carroll. The Levee District primarily provides flood protection for those areas contained in the District. The Board of Commissioners administers the operations and responsibilities of the Levee District in accordance with the provisions of Louisiana statute. The eleven members of the Board of Commissioners, which governs the District, are appointed by the governor of the State of Louisiana.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of Tensas Basin Levee District present information only as to the transactions of the programs of the Tensas Basin Levee District as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Tensas Basin Levee District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Committee on the Budget, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

	<u>APPROPRIATIONS</u>
Original approved budget	\$ <u>7,211,900</u>
Amendments:	_____

Final approved budget	\$ <u>7,211,900</u>

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For the purpose of the Statement of Cash Flows and balance sheet presentation, all highly liquid investments (including negotiable CDs and restricted cash and cash equivalents) and deposits (including nonnegotiable CDs and restricted cash and cash equivalents) with a maturity of three months or less when purchased are considered to be cash equivalents.

41

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010

times equal the amount on deposit with the fiscal agent. These pledged securities are required to be held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

GASB Statement 40, which amended GASB Statement 3, eliminated the requirement to disclose all deposits by three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2010, consisted of the following:

	Cash	Nonnegotiable Certificates of Deposit	Other (Describe)	Total
Deposits per Balance Sheet (Reconciled bank balance)	\$ 1,671,900	\$	\$	\$ 1,671,900
Deposits in bank accounts per bank	\$ 1,751,528	\$	\$	\$ 1,751,528
Bank balances exposed to custodial credit risk:	\$	\$	\$	\$
a. Uninsured and uncollateralized				
b. Uninsured and collateralized with securities held by the pledging institution				
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's				

NOTE: The "Deposits in bank accounts per bank" will not necessarily equal the "Deposits per Balance Sheet" due to outstanding items.

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010

The following is a breakdown by banking institution, program, and amount of the "Deposits in bank accounts per bank" balances shown above:

<u>Banking Institution</u>	<u>Program</u>	<u>Amount</u>
1. Caldwell Bank & Trust Co.	Checking	\$ 1,736,305
2. J.P. Morgan Chase	Checking	15,223
3. _____	_____	_____
4. _____	_____	_____
Total		\$ 1,751,528

Cash

in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the balance sheet.

Cash in State Treasury \$ _____
 Petty cash \$ _____

2. INVESTMENTS

The Tensas Basin Levee District maintains investment accounts as authorized by the Louisiana Revised Statutes.

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are either held by the counterparty or the counterparty's trust department or agent, but not in the entity's name. Repurchase agreements are not subject to credit risk if the securities underlying the repurchase agreement are exempt from credit risk disclosure. Using the following table, list each type of investment disclosing the total carrying amounts and market values, and any amounts exposed to custodial credit risk.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all investments by three categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name. In addition, the total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010**

<u>Type of Investment</u>	<u>Investments Exposed to Custodial Credit Risk</u>		<u>All Investments Regardless of Custodial Credit Risk Exposure</u>	
	<u>Uninsured, *Unregistered, and Held by Counterparty</u>	<u>Uninsured, *Unregistered, and Held by Counterparty's Trust Dept. or Agent Not in Entity's Name</u>	<u>Reported Amount Per Balance Sheet</u>	<u>Fair Value</u>
Negotiable CDs	\$ _____	\$ _____	\$ _____	\$ _____
Repurchase agreements	_____	_____	_____	_____
U.S. Government Obligations **	_____	_____	_____	_____
U.S. Agency Obligations	_____	_____	2,482,103	2,482,103
Common & preferred stock	_____	_____	_____	_____
Mortgages (including CMOs & MBSs)	_____	_____	4,960,233	4,960,233
Corporate bonds	_____	_____	_____	_____
Mutual funds	_____	_____	_____	_____
Real estate	_____	_____	_____	_____
External Investment Pool (LAMP) ***	_____	_____	_____	_____
External Investment Pool (Other)	_____	_____	_____	_____
Other: (identify)	_____	_____	_____	_____
Money Market Account	_____	_____	2,032	2,032
	_____	_____	_____	_____
	_____	_____	_____	_____
Total investments	\$ _____ -	\$ _____ -	\$ 7,444,368	\$ 7,444,368

* Unregistered - not registered in the name of the government or entity

** These obligations generally are not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. government. (See Appendix C for the definition of U.S. Government Obligations)

*** LAMP investments should not be included in deposits AND should be identified separately in this table to ensure LAMP investments are not double-counted on the State level.

**3. CREDIT RISK, INTEREST RATE RISK, CONCENTRATION OF CREDIT RISK,
AND FOREIGN CURRENCY RISK DISCLOSURES**

A. Credit Risk of Debt Investments

The District invests in bonds issued by U.S. Government agencies and U.S. Government Sponsored Enterprises. Bonds issued by these entities are not rated by rating agencies and accordingly all of the Districts investments are un-rated.

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010

B. Interest Rate Risk of Debt Investments

1. Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years for each debt investment type.

Type of Debt Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	Greater Than 10
U.S. Government obligations	\$ 2,482,103	\$ 245,989	\$ 2,236,114	\$	\$
U.S. Agency obligations					
Mortgage backed securities					
Collateralized mortgage obligations	4,960,233	33,653	4,899,527	27,053	
Corporate bonds					
Other bonds (describe)					
Mutual bond funds					
Other - Money Market Account	2,032	2,032			
Total debt investments	\$ 7,444,368	\$ 281,674	\$ 7,135,641	\$ 27,053	\$ -

2. List the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms (e.g. coupon multipliers, reset dates, etc.) of the investment. See Appendix C for examples of debt investments that are highly sensitive to changes in interest rates.

Debt Investment	Fair Value	Terms
	\$	
Total	\$ -	

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010

C. Concentration of Credit Risk

List, by amount and issuer, investments in any one issuer that represents 5% or more of total external investments (not including U.S. government securities, mutual funds, and investment pools).

<u>Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
FNMA Pass Thru Pool 863002	\$ 630,703	8.47%
Total	\$ 630,703	

D. Foreign Currency Risk (Not Applicable)

Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies); list by currency denomination and investment type, if applicable.

<u>Foreign Currency</u>	<u>Fair Value in U.S. Dollars</u>	
	<u>Bonds</u>	<u>Stocks</u>
	\$	\$
Total	\$ -	\$ -

4. DERIVATIVES (GASB 53) - NOT APPLICABLE

5. POLICIES

Briefly describe the deposit and/or investment policies related to the custodial credit risk, credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, please state that fact.

While an investment policy does exist, it does not address the above risks as all but credit and interest rate are not applicable.

6. OTHER DISCLOSURES REQUIRED FOR INVESTMENTS

- a. Investments in pools managed by other governments or mutual funds - **None**

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010**

- b. Securities underlying reverse repurchase agreements - **None**
- c. Unrealized investment losses - **None**
- d. Commitments as of June 30, 2010, to resell securities under yield maintenance repurchase agreements - **None**
- e. Losses during the year due to default by counterparties to deposit or investment transactions- **None**
- f. Amounts recovered from prior-period losses which are not shown separately on the balance sheet - **None**

Legal or Contractual Provisions for Reverse Repurchase Agreements

- g. Source of legal or contractual authorization for use of reverse repurchase agreements - **None**
- h. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year - **None**

Reverse Repurchase Agreements as of Year-End

- i. Credit risk related to the reverse repurchase agreements (other than yield maintenance agreements) outstanding at year end, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest - **None**
- j. Commitments on June 30, 2010 to repurchase securities under yield maintenance agreements - **None**
- k. Market value on June 30, 2010 of the securities to be repurchased - **None**
- l. Description of the terms of the agreements to repurchase - **None**
- m. Losses recognized during the year due to default by counterparties to reverse repurchase agreements - **None**
- n. Amounts recovered from prior-period losses which are not separately shown on the operating statement - **None**

Fair Value Disclosures (GASB 31)

- o. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices - **Not Applicable**
- p. Basis for determining which investments, if any, are reported at amortized cost - **Not Applicable**

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010**

- q. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool - **Not Applicable**
- r. Whether the fair value of your investment in the external investment pool is the same as the value of the pool shares - **Not Applicable**
- s. Any involuntary participation in an external investment pool – **Not Applicable**
- t. If you are unable to obtain information from a pool sponsor to determine the fair value of your investment in the pool, methods used and significant assumptions made in determining fair value and the reasons for having had to make such an estimate – **Not Applicable**
- u. Any income from investments associated with one fund that is assigned to another fund – **Not Applicable**

Land and Other Real Estate Held as Investments by Endowments (GASB 52) (NOT APPLICABLE)

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010

D. CAPITAL ASSETS – INCLUDING CAPITAL LEASE ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight line method over the useful lives of the assets.

	Balance 6/30/2009	Prior Period Adjustments Adj. after submitted to OSRAP (+/-)	Restatements (+/-)	Adjusted Balance 6/30/2009	Additions	Transfers*	Retirements	Balance 6/30/2010
Capital assets not being depreciated								
Land	\$ 116,649	\$ -	\$ -	\$ 116,649	\$ -	\$ -	\$ -	\$ 116,649
Non-depreciable land improvements	-	-	-	-	-	-	-	-
Non-depreciable easements	-	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-	-
Software Development in Progress	-	-	-	-	-	-	-	-
Construction in progress (CIP)	-	-	-	-	-	-	-	-
Total capital assets not being depreciated	<u>116,649</u>	<u>-</u>	<u>-</u>	<u>116,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,649</u>
Other capital assets								
Machinery and equipment	3,904,841	-	-	3,904,841	474,759	-	(330,376)	4,049,224
Less accumulated depreciation	(2,860,146)	-	-	(2,860,146)	(269,638)	-	318,796	(2,810,988)
Total Machinery and equipment	<u>1,044,695</u>	<u>-</u>	<u>-</u>	<u>1,044,695</u>	<u>205,121</u>	<u>-</u>	<u>(11,580)</u>	<u>1,238,236</u>
Buildings and improvements	962,042	-	-	962,042	-	-	-	962,042
Less accumulated depreciation	(450,715)	-	-	(450,715)	(24,051)	-	-	(474,766)
Total buildings and improvements	<u>511,327</u>	<u>-</u>	<u>-</u>	<u>511,327</u>	<u>(24,051)</u>	<u>-</u>	<u>-</u>	<u>487,276</u>
Depreciable land improvements	-	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-	-
Total land improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Infrastructure	-	-	-	-	-	-	-	-
Less accumulated depreciation	-	-	-	-	-	-	-	-
Total infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Software (internally generated and purchased)	-	-	-	-	-	-	-	-
Other Intangibles	-	-	-	-	-	-	-	-
Less accumulated amortization - software	-	-	-	-	-	-	-	-
Less accumulated amortization - other intangibles	-	-	-	-	-	-	-	-
Total intangibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other capital assets	<u>1,556,022</u>	<u>-</u>	<u>-</u>	<u>1,556,022</u>	<u>181,070</u>	<u>-</u>	<u>(11,580)</u>	<u>1,725,512</u>
Capital assets not being depreciated	116,649	-	-	116,649	-	-	-	116,649
Other capital assets, at cost	4,866,883	-	-	4,866,883	474,759	-	(330,376)	5,011,266
Total cost of capital assets	<u>4,983,532</u>	<u>-</u>	<u>-</u>	<u>4,983,532</u>	<u>474,759</u>	<u>-</u>	<u>(330,376)</u>	<u>5,127,915</u>
Less accumulated depreciation and amortization	<u>(3,310,861)</u>	<u>-</u>	<u>-</u>	<u>(3,310,861)</u>	<u>(293,689)</u>	<u>-</u>	<u>318,796</u>	<u>(3,285,754)</u>
Capital assets, net	<u>\$ 1,672,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,672,671</u>	<u>\$ 181,070</u>	<u>\$ -</u>	<u>(11,580)</u>	<u>\$ 1,842,161</u>

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets.

** Enter a negative number with the exception of accumulated depreciation in the retirement and prior period adjustment column.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010**

E. INVENTORIES – NOT APPLICABLE

F. RESTRICTED ASSETS

Restricted assets in the Tensas Basin Levee District at June 30, 2010, reflected at \$ 14,732 in bank deposits which are held in escrow to pay current and future health insurance claims of employees.

G. LEAVE

1. COMPENSATED ABSENCES

The Tensas Basin Levee District has the following policy on annual and sick leave: (Describe leave policy.)

An example disclosure follows:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in long-term obligations.

2. COMPENSATORY LEAVE – NOT APPLICABLE

H. RETIREMENT SYSTEM

Substantially all of the employees of the District are members of the Louisiana State Employees Retirement System (LASERS), a single employer defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time District employees are eligible to participate in the System unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their option, become members of LASERS. Normal benefits vest with 10 years of service. Generally, retirement age employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service except for members eligible to begin participation in the Defined Benefit Plan (DBP) on or after July 1, 2006. Act 75 of the 2005

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010**

Regular Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for these members is limited to age 60, or thereafter, upon attainment of ten years of creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Vested employees eligible to begin participation in the DBP before July 1, 2006, are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after July 1, 2006 have only a single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit options, with qualifications and amounts defined by statute. Benefits are established or amended by state statute. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. For a full description of the LASERS defined benefit plan, please refer to the LASERS 2008 Financial Statements, specifically, footnotes A – Plan Description and C – Contributions. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000. The footnotes to the Financial Statements contain additional details and are also available on-line at:

[http://www.lasers.state.la.us/PDFs/Publications_and_Reports/Fiscal_Documents/Comprehensive Financial Reports/Comprehensive%20Financial%20Reports_08.pdf](http://www.lasers.state.la.us/PDFs/Publications_and_Reports/Fiscal_Documents/Comprehensive_Financial_Reports/Comprehensive%20Financial%20Reports_08.pdf)

Members are required by state statute to contribute with the single largest group ("regular members") contributing 7.5% of gross salary, and the (BTA) is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2010, increased to 18.6% of annual covered payroll from the 18.5% and 20.4% required in fiscal years ended June 30, 2009 and 2008 respectively. The (BTA) contributions to the System for the years ending June 30, 2010, 2009, and 2008, were \$228,595, \$213,274, and \$195,338, respectively, equal to the required contributions for each year.

I. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The District provides certain continuing health care and life insurance benefits for its retired employees. The benefits are administered by the District for the District as a single-employer plan. The District provides medical insurance benefits to eligible retirees and their spouses and life insurance benefits to eligible retirees. Substantially all District employees become eligible for post employment health care and life insurance benefits if they reach normal retirement age while working for the District. Once the retirees reach age sixty-five, Medicaid supplement insurance replaces the health insurance benefit. The life insurance benefit provides \$50,000 of life insurance for the retiree. These benefits for retirees are provided through a combination of a self-insured fund and insurance companies, whose premiums are paid jointly by the retirees and the District. The District pays 75% of the cost of the benefits and the retiree is responsible for 25%. The benefits were established by a resolution of the Board of Commissioners of the District on May 21, 2001. The benefits are not provided under a formal plan and there are no assets related to the benefits provided.

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010

District and its continuing obligation to provide the benefits is subject to the Board's amendment and continuing approval.

The retiree health and life insurance benefits provided by the District are financed on a pay-as-you-go basis. For the year ended June 30, 2010, the District contributed \$31,977 for its share of the current premiums of the retirees. As disclosed earlier, the retiree is required to pay 25% of the cost of the benefits.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined under the Alternative Measurement Method in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfounded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's net OPEB obligation:

	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/08</u>
Annual required contribution	\$ 140,900	136,796	-
Interest on Net OPEB Obligation	10,947	6,062	132,812
Adjustment to Annual Required Contribution	<u>(9,304)</u>	<u>(5,152)</u>	<u>-</u>
Annual OPEB cost (expense)	142,543	137,706	132,812
Contributions made (retiree cost)	<u>(66,192)</u>	<u>(52,735)</u>	<u>(27,392)</u>
Increase in net OPEB obligation	76,351	80,971	105,420
Net OPEB obligation – beginning of year	<u>190,391</u>	<u>105,420</u>	<u>-</u>
Net OPEB obligation – end of year	\$ <u>266,742</u>	<u>53,819</u>	<u>105,420</u>
Percentage of annual OPEB cost contributed	46.4%	38.6%	20.6%

Funded Status and Funding Progress. As of June 30, 2010, there has been no funding of the actuarial accrued liability for benefits resulting in an unfunded actuarial accrued liability (UAAL) of \$1,547,081. The covered payroll (annual payroll of active employees covered by the plan) was \$1,551,445 and the ratio of the UAAL to the covered payroll was 99.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented below as required supplementary information is intended to provide multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because the plan has less than 200 participants, a valuation is required

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010

triennially with the first such valuation being completed as of June 30, 2008. Accordingly, the schedule below presents only the information for the fiscal year ended June 30, 2008 with no comparison to prior years:

Required Supplementary Information - Schedule of Funding Progress

Actuarial valuation date		6/30/2008
Actuarial value of assets	a	-
Actuarial value of assets (AAL) – Entry Age	b	1,547,081
Unfunded AAL (UAAL)	b-a	1,547,081
Funded ratio	a/b	-
Covered payroll	c	1,551,445
UAAL as a percentage of covered payroll	b-a / c	99.7%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the June 30, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 5.75 percent investment rate of return which is the expected long-term investment return on the employer's own investments in the general fund since the plan has no assets. The annual healthcare cost trend numbers used in the analysis were derived from a report produced by the Department of Health and Human Services, Office of the Actuary and range from 9% initially, reduced by decrements of 1% each year to 5% in years 5 through 30. The UAAL is being amortized as a level percentage of projected payroll costs on an open basis. The remaining amortization period at June 30, 2010, is twenty-eight years.

J. LEASES – NOT APPLICABLE

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010**

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2010:

	<u>Year ended June 30, 2010</u>			<u>Balance June 30, 2010</u>	<u>Amounts due within one year</u>
	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>		
Notes and bonds payable:					
Notes payable	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds payable	-	-	-	-	-
Total notes and bonds	-	-	-	-	-
Other liabilities:					
Contracts payable	-	-	-	-	-
Compensated absences payable	163,704	55,292	42,324	176,672	-
Capital lease obligations	-	-	-	-	-
Claims and litigation	-	-	-	-	-
Pollution remediation obligation	-	-	-	-	-
OPEB payable	190,391	76,361	-	266,752	-
Other long-term liabilities	-	-	-	-	-
Total other liabilities	354,095	131,653	42,324	443,424	-
Total long-term liabilities	\$ 354,095	\$ 131,653	\$ 42,324	\$ 443,424	\$ -

L. CONTINGENT LIABILITIES - NOT APPLICABLE

M. RELATED PARTY TRANSACTIONS - NOT APPLICABLE

N. ACCOUNTING CHANGES - NOT APPLICABLE

O. IN-KIND CONTRIBUTIONS - NOT APPLICABLE

P. DEFEASED ISSUES - NOT APPLICABLE

Q. REVENUES - PLEDGED OR SOLD (GASB 48) - NOT APPLICABLE

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) - NOT APPLICABLE

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS - NOT APPLICABLE

T. SHORT-TERM DEBT - NOT APPLICABLE

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2010, were as follows:

Fund (gen. fund, gas tax fund, etc.)	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
General Fund	\$	\$ 24,677	\$ 172,060	\$ 34,618	\$ 231,355
					-
Gross receivables	\$ -	\$ 24,677	\$ 172,060	\$ 34,618	\$ 231,355
Less allowance for uncollectible accounts					
Receivables, net	\$ -	\$ 24,677	\$ 172,060	\$ 34,618	\$ 231,355

Amounts not scheduled
for collection during the

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2010, were as follows:

Fund	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
General Fund	\$ 5,051	\$ 84,123	\$	\$ 15,338	\$ 104,512
					-
Total payables	\$ 5,051	\$ 84,123	\$ -	\$ 15,338	\$ 104,512

W. SUBSEQUENT EVENTS – NOT APPLICABLE

X. SEGMENT INFORMATION – NOT APPLICABLE

Y. DUE TO/DUE FROM AND TRANSFERS – NOT APPLICABLE

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS – NOT APPLICABLE

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS – NOT APPLICABLE

BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB 46) -NOT APPLICABLE

CC. IMPAIRMENT OF CAPITAL ASSETS & INSURANCE RECOVERIES – NOT APPLICABLE

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2010**

DD. EMPLOYEE TERMINATION BENEFITS – NOT APPLICABLE

EE. POLLUTION REMEDIATION OBLIGATIONS – NOT APPLICABLE

FF. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) – NOT APPLICABLE

Name	Amount
Harris Brown, President	\$ 12,000.00
Ramona N. Haire	825.00
Robert N. Harwell	825.00
James Hutchins	675.00
Hamilton Keahey	600.00
Venoy Kinnaird	450.00
James P. Mayo	675.00
Harlon Nobles	525.00
Jerry R. Peters	825.00
Charles Venable	900.00
Total	\$ 18,300.00

57

STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT
COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than \$3 million, explain the reason for the change.

	<u>2010</u>	<u>2009</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$ <u>4,334,001</u>	\$ <u>4,062,730</u>	\$ <u>271,271</u>	<u>6.7%</u>
Expenses	<u>4,369,950</u>	<u>3,783,947</u>	<u>586,003</u>	<u>15.5%</u>
2) Capital assets	<u>1,842,161</u>	<u>1,672,671</u>	<u>169,490</u>	<u>10.1%</u>
Long-term debt	<u>443,414</u>	<u>354,095</u>	<u>89,319</u>	<u>25.2%</u>
Net Assets	<u>10,588,727</u>	<u>10,624,676</u>	<u>(35,949)</u>	<u>(0.3%)</u>
Explanation for change:	<hr/> <hr/> <hr/> <hr/>			

SCHEDULE 15

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Board of Commissioners
Tensas Basin Levee District
Rayville, Louisiana

We have audited the basic financial statements of the Tensas Basin Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, and have issued our report dated August 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tensas Basin Levee District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and management corrective action plan that we consider to be significant deficiencies in internal control over financial reporting (2010-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tensas Basin Levee District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Tensas Basin Levee District, management and the Louisiana State Legislative Auditor and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Griffin & Company, LLC

August 30, 2010

STATE OF LOUISIANA

TENSAS BASIN LEVEE DISTRICT

Schedule of Findings and Management Corrective Action Plan

For the Year Ended June 30, 2010

Summary of Audit Results:

1. Type of Report Issued – Unqualified
2. Internal Control Over Financial Reporting
 - a. Significant Deficiencies – Yes (2010-1)
 - b. Material Weaknesses – No
3. Compliance and Other Matters – No Findings
4. No management letter was issued

Finding 2010-1:

Criteria:

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition & Cause:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Board's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management Corrective Action Plan:

In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Board's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.

**STATE OF LOUISIANA
TENSAS BASIN LEVEE DISTRICT**

Status of Prior Audit Findings

June 30, 2010

The prior audit finding for the Tensas Basin Levee District is as follows:

Finding 2009-1:

Criteria:

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition & Cause:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Board's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management Corrective Action Plan:

In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Board's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.